

- (B) **Nonrecurring expenses.** The expenses of nonrecurring activities shall be separately identified.
 - (C) **Taxes.** Any tax expenses not directly attributable, using the cost causation principle, shall be excluded from the LRIC study for the group of services.
 - (3) **Least cost technology.** LRIC studies shall assume the use of least cost technology. The choice of least cost technologies, however, shall:
 - (A) be restricted to technologies that are currently available on the market and for which vendor prices can be obtained;
 - (B) be consistent with the level of output necessary to satisfy current demand levels for all services using the BNF in question; and
 - (C) be consistent with overall network design and topology requirements.
 - (4) **Network topology.** LRIC studies shall use the existing or planned network topology.
 - (5) **Cost of money.** When the company uses the most recent commission approved rate of return for the company, as that term is used in §23.21(c)(1) of this title (relating to Cost of Service) there will be a presumption of reasonableness. The company shall justify the use of any other rate.
 - (6) **Rate of depreciation.** When the company uses the most recent commission approved rate of depreciation for the company there will be a presumption of reasonableness. The company shall justify the use of any other rate.
- (j) **Filing requirements for DCTU provided workplan.** Within 70 days of the effective date of this section, the DCTU shall file with the commission and the Office of Public Utility Counsel (OPUC) a plan for compliance with the provisions of this section. The workplan shall be consistent with the principles, instructions and requirements set forth in this section and shall be reviewed in accordance with the procedures established in subsection (m) of this section. The workplan submitted by the DCTU shall include the following components.
- (1) **Identification of BNFs and cost methodology.** The workplan submitted by the DCTU shall discuss the BNFs identified under this section and include a detailed discussion of the cost methodology the DCTU proposes to use for the studies required under this section. Additionally, the workplan shall meet the following requirements:
 - (A) **List of BNFs.** The workplan shall include a list of all BNFs that the DCTU has identified pursuant to subsection (e) of this section.
 - (B) **Additional BNFs.** If the DCTU proposes to identify BNFs in addition to the BNFs identified in subsection (e)(1)-(11) of this section, the workplan shall include a description of each of the BNFs that the DCTU proposes to identify, and a discussion of why these BNFs should be identified in addition to the BNFs identified in subsection (e)(1)-(11) of this section.
 - (C) **Definitions of BNFs.** For each BNF identified under subsection (e) of this section, the workplan shall include, a precise definition of the BNF, including the points of demarcation in the DCTU's network between each BNF and other BNFs.
 - (D) **Diagrams.** For each BNF identified under subsection (e) of this section, the workplan shall include a diagram that illustrates the BNF's role in the provision of DCTU services.
 - (E) **Least cost technology choices for BNFs.** For each BNF identified under subsection (e) of this section, the workplan shall identify which technology or technologies (e.g., fiber optic cable, digital switching systems) will be considered the least cost technology (as defined in subsection (c)(14) of this section) for the BNF.
 - (F) **Identification of investments.** The workplan shall include a discussion of the methodology that the DCTU proposes to use in identifying investments associated with each of the BNFs identified under subsection (e) of this section.
 - (G) **Data sources.** For each BNF identified under subsection (e) of this section, the workplan shall include a discussion of the data sources to be used in developing the costs of the BNF.
 - (H) **Service demand.** For each BNF identified under subsection (e) of this section, the workplan shall include a discussion of the data sources to be used for service demand in developing the costs of the BNF.

- (I) **Automated cost models.** The workplan shall include a description of any automated cost models which the DCTU proposes to use in developing the cost of the BNF. For each such automated cost model, the workplan shall provide a detailed description of the algorithm of the cost model and demonstrate that the methodology of the cost model is consistent with the long run incremental cost methodology described in this section.
- (J) **Flowcharts.** For each type of cost study required under this section, the workplan shall include a detailed flowchart that identifies all models used in the study and the interrelationships between the inputs and outputs of the models.
- (K) **List of cost drivers.** For each BNF identified under subsection (e) of this section, the workplan shall identify the cost drivers that the DCTU has identified pursuant to subsection (f)(10) of this section.
- (L) **Additional cost drivers.** If the DCTU proposes to identify and account for cost drivers in addition to the cost drivers identified in subsection (f)(10)(A)-(G) of this section, the workplan shall include a description of each of the cost drivers that the DCTU proposes to use, and a discussion of why these cost drivers should be used in addition to the cost drivers identified in subsection (f)(10)(A)-(G) of this section.
- (M) **Loading factors.** The workplan shall include a discussion of the methodology that the DCTU proposes to use in identifying operating expenses, depreciation and taxes relating to each of the BNFs identified under subsection (e) of this section.
- (N) **Categorization of BNFs.** For each BNF identified under subsection (e) of this section, the workplan shall identify the category and subcategory of BNFs (as defined in subsection (c) of this section) under which the BNF is categorized.
- (O) **Mapping from BNFs to tariffed services.** For each BNF identified under subsection (e) of this section, the workplan shall include a list of all tariffed services that use the BNF.
- (P) **Mathematical representation.** The workplan shall include a formal mathematical statement describing the cost relationships between BNFs, tariffed services, and groups of tariffed services. This statement shall translate the principles, instructions and requirements of this section into the traditional mathematical terms used in the economic literature. Specifically, the company shall include a mathematical statement that describes the functional relationship between the long run incremental costs for a tariffed service and a service's use of BNFs.
- (2) **Identification of costs common to BNFs.** The workplan submitted by the DCTU shall identify which BNFs share common costs and the sources of the common costs (as identified under subsection (h)(1) of this section).
- (3) **Identification of groups of services.** The workplan submitted by the DCTU shall include a list of all groups of services that the DCTU has identified pursuant to subsection (h)(2) of this section. The list shall meet the following requirements:
 - (A) **Identification of services in groups.** The list shall identify for each group the services that are included in the group. When the group contains smaller groups of services, the smaller groups that are included in the group shall be identified.
 - (B) **Identification of BNFs that represent common costs.** The list shall identify the BNFs that represent the common costs for each group of services.
 - (C) **Identification of other common costs.** The list shall identify other sources of common costs for each group of services (as identified under subsection (h)(2) of this section).
- (4) **Proposed schedule for completion and filing of cost studies.** The workplan submitted by the DCTU shall include a proposed completion and filing date for: the LRIC study for each BNF identified under subsection (e) of this section, including the required BNFs specified in subsection (e)(1)-(11) of this section; the LRIC study for each tariffed service offered by the DCTU; and the LRIC study for each group of services identified under subsection (h) of this section. The proposed schedule submitted by the DCTU shall meet the following requirements:
 - (A) If the schedule proposed by the DCTU would result in completion of any cost study later than 18 months following September 10, 1993, the DCTU should discuss in detail the reasons why the cost study may not be completed within 18 months.

- (B) In no event should the schedule proposed by the DCTU result in the completion of any cost study later than thirty months following September 10, 1993.
 - (C) The schedule proposed by the DCTU should space the completion and filing of cost studies relatively evenly over the course of the period of time allowed for completing the studies and avoid, to the greatest degree possible, the filing of large quantities of studies at any one date.
 - (D) The schedule proposed by the DCTU shall not result in completion of any LRIC study for a tariffed service before the completion of the LRIC studies for all the BNFs that are used in the provision of the tariffed service.
- (5) **Prototype LRIC studies for BNFs, tariffed services, and groups of tariffed services.** The workplan shall provide prototype LRIC studies for BNFs, tariffed services, and groups of tariffed services, to serve as models for the studies filed pursuant to this section. In devising the prototype studies the DCTU shall consider the following instructions.
- (A) **Completeness.** The prototype LRIC studies shall be structured to provide for all information (e.g., inputs, outputs, assumptions) necessary to understand the studies and to reasonably verify their accuracy.
 - (B) **Consistency and efficiency.** The company shall seek to organize the prototype studies in a manner that clearly demonstrates the relationships and consistencies between studies. To the extent that a number of studies use automated models, standardized loading factors or other standardized methods, the company shall propose a way of documenting these methods that reduces unnecessary duplication.
 - (C) **PC-based spreadsheets and open algorithms.** The company shall create the prototype studies both on paper and on personal computer based electronic spreadsheets. In designing the personal computer based electronic spreadsheet versions the company shall seek to create an open algorithm that can be used and modified by the commission staff and other users.
- (6) **Waiver requests.**
- (A) **Waiver for required BNF.** The workplan shall include a request for waiver if the company finds that a required BNF specified in subsection (e)(1)-(11) of this section is inappropriate for its network. The waiver request shall be accompanied by a statement demonstrating why the required BNF is inappropriate.
 - (B) **Waiver for required cost driver.** The workplan shall include a request for waiver if the company finds that a required cost driver specified in subsection (f)(10)(A)-(G) of this section is inappropriate for its network. The waiver request shall be accompanied by a statement demonstrating why the required cost driver is inappropriate.
 - (C) **Waiver for required LRIC studies for individual tariffed services.** The workplan shall include requests for waivers for those services for which the company proposes to not perform a LRIC study.
- (7) **Proposal for the treatment of information designated as confidential or proprietary.** The workplan submitted by the DCTU shall include the DCTU's proposal for the treatment of information to be filed pursuant to this section that the DCTU designates or intends to designate as confidential and/or proprietary. The DCTU shall include the following information:
- (A) **Identification.** Identification of the information to be filed pursuant to this section (e.g. cost models, algorithms, data) that the DCTU will designate as confidential and/or proprietary.
 - (B) **Explanation.** For each item identified in subparagraph (A) of this paragraph, an explanation supporting the DCTU's designation of information as confidential and/or proprietary.
 - (C) **Proposal.** The DCTU's proposal for the treatment of information designated by the DCTU as confidential and/or proprietary that the DCTU will file pursuant to this section (e.g., a proposed protective agreement).
- (k) **Requirements for initial filings of LRIC studies.** The DCTU shall file with the commission and OPUC the LRIC studies required under this section. The LRIC studies shall be consistent with the principles, instructions, and requirements set forth in this section and shall be reviewed in accordance with the procedures established in subsection (n) of this section. In accordance with the workplan, and the waivers therein, approved under subsection (m) of this section, the DCTU shall file LRIC studies for:

- (1) each BNF identified under subsection (e) of this section and calculated under subsection (f) of this section, including those that are specified as required BNFs under subsection (e)(1)-(11) of this section;
 - (2) costs common to BNFs as identified and calculated under subsection (h) of this section;
 - (3) each tariffed services as calculated under subsection (g) of this section; and
 - (4) each groups of services identified under subsection (h) of this section and calculated under subsection (i) of this section.
- (l) **Requirements for subsequent filings of LRIC studies.** The LRIC studies required by this subsection shall be consistent with the principles, instructions and requirements set forth in this section and the workplan approved in subsection (m) of this section and shall be reviewed in accordance with the procedures established in subsection (n) of this section.
- (1) **Updated studies.** Thirty-six months after the effective date of the section, and every six months thereafter, the DCTU shall file with the commission and OPUC updated versions of all filings, other than the workplan, required under this section. The DCTU is not required to update its filings for those studies where no significant changes have occurred.
 - (2) **Provisions for new BNFs.** When significant technological or other changes occur that necessitate a change in the definition of current BNFs or the identification of new BNFs, the DCTU shall file with the commission and OPUC updated versions for all affected LRIC studies or new studies as appropriate.
 - (3) **Provisions for new services.** For each application for a service filed pursuant to this title, the DCTU shall file with the commission and OPUC a LRIC study for the service consistent with the principles described in subsection (d) of this section and the specific requirements set forth in subsection (g) of this section.
 - (4) **Unbundling of existing tariffed services.** When an application filed pursuant to this title proposes a service that previously had been bundled with other BNFs into a tariffed service, the DCTU shall carefully reexamine the identification of groups of services that share significant common costs (as required under subsection (h) of this section). If the new service significantly changes the identification of groups of services and the identification of common costs, the DCTU should update all studies required under this section that are affected by these changes.
- (m) **Review process for DCTU workplan.** A DCTU workplan considered under this section shall be reviewed administratively to determine whether the DCTU's workplan is consistent with the principles, instructions and requirements set forth in this section.
- (1) **Sufficiency.** The workplan shall be examined for sufficiency. To be sufficient, the DCTU's workplan shall include the components required by subsection (j) of this section. If the presiding officer or the commission staff concludes that material deficiencies exist in the workplan, the DCTU shall be notified within 15 days of the filing date of the specific deficiency in its workplan. The DCTU shall have 15 days from the date it is notified of the deficiency to file a corrected workplan.
 - (2) **Time Schedule.**
 - (A) No later than 60 days after the filing date of the sufficient workplan, any party that demonstrates a justiciable interest may file with the presiding officer written comments or recommendations concerning the workplan.
 - (B) No later than 70 days after the filing date of the sufficient workplan, OPUC may file with the presiding officer written comments or recommendations concerning the workplan.
 - (C) No later than 80 days after the filing date of the sufficient workplan, the commission staff shall file with the presiding officer written comments or recommendations concerning the workplan.
 - (D) No later than 90 days after the filing date of the sufficient workplan, any party that demonstrates a justiciable interest, OPUC, or the DCTU may file with the presiding officer a written response to the commission staff's recommendation.
 - (E) No later than 100 days after the filing date of the sufficient workplan, the presiding officer shall complete an administrative review to determine whether the DCTU's workplan is consistent with the principles, instructions and requirements set forth in this section. The

presiding officer shall approve the workplan or order the DCTU to refile the workplan incorporating all modifications recommended by the presiding officer.

- (3) **Requests for Information.** While the workplan is being administratively reviewed, the commission staff, OPUC, and any party that demonstrates a justiciable interest may submit requests for information to the DCTU. Three copies of all answers to such requests for information shall be provided within 15 days after receipt of the request by the DCTU to the commission staff, OPUC and any party that demonstrates a justiciable interest.
 - (4) **Suspension.** At any point within the first 60 days of the review process, the presiding officer, the commission staff, OPUC, the DCTU, or any party that demonstrates a justiciable interest may request that the review process be suspended for 30 days. The presiding officer may grant a request for suspension only if he or she has determined that the party has demonstrated that good cause exists for such suspension.
 - (5) **Effective date of the DCTU's workplan.** The effective date of the DCTU's workplan shall be the date it is approved by the presiding officer.
- (n) **Review process for LRIC studies.** A LRIC study considered under this section shall be reviewed administratively to determine whether the DCTU's LRIC study is consistent with the principles, instructions and requirements set forth in this section.
- (1) **Sufficiency.** The LRIC study shall be examined for sufficiency. To be sufficient, the LRIC study shall conform to the prototype studies developed under the workplan approved under subsection (m) of this section. If the presiding officer or the commission staff concludes that material deficiencies exist in the LRIC study, the DCTU shall be notified within 15 days of the filing date of the specific deficiency in its LRIC study. The DCTU shall have 15 days from the date it is notified of the deficiency to file a corrected LRIC study.
 - (2) **Time Schedule.**
 - (A) No later than 45 days after the filing date of the sufficient LRIC study, any party that demonstrates a justiciable interest may file with the presiding officer written comments or recommendations concerning the LRIC study.
 - (B) No later than 55 days after the filing date of the sufficient LRIC study, OPUC may file with the presiding officer written comments or recommendations concerning the LRIC study.
 - (C) No later than 65 days after the filing date of the sufficient LRIC study, the commission staff shall file with the presiding officer written comments or recommendations concerning the LRIC study.
 - (D) No later than 75 days after the filing date of the sufficient LRIC study, any party that demonstrates a justiciable interest, OPUC, or the DCTU may file with the presiding officer a written response to the commission staff's recommendation.
 - (E) No later than 85 days after the filing date of the sufficient LRIC study, the presiding officer shall complete an administrative review to determine whether the DCTU's LRIC study is consistent with the principles, instructions and requirements set forth in this section. The presiding officer shall approve the LRIC study or order the DCTU to refile the LRIC study incorporating all modifications recommended by the presiding officer.
 - (F) Any party may appeal to the commission an administrative determination by a presiding officer within five days after the date of notification of the determination. The commission shall rule on the appeal within 30 days after the date it receives the appeal. If the commission or a presiding officer orders a cost study to be changed, the dominant certificated telecommunications utility shall be ordered to make those changes within a period that is commensurate with the complexity of the LRIC study.
 - (3) **Requests for Information.** While the LRIC study is being administratively reviewed, the commission staff, OPUC, and any party that demonstrates a justiciable interest may submit requests for information to the DCTU. Three copies of all answers to such requests for information shall be provided within ten days after receipt of the request by the DCTU to the commission staff, OPUC and any party that demonstrates a justiciable interest.

- (4) **Suspension.** At any point within the first 45 days of the review process, the presiding officer, the commission staff, OPUC, the DCTU, or any party that demonstrates a justiciable interest may request that the review process be suspended for 30 days. The presiding officer may grant a request for suspension only if he or she has determined that the party has demonstrated that good cause exists for such suspension.
- (5) **Effective date of the LRIC study.** The effective date of the LRIC study shall be the date it is approved by the presiding officer.
- (o) **Notice requirements.** At least ten days before a DCTU files any workplan or LRIC study pursuant to this section, the DCTU shall file with the commission and OPUC a notice of its intent to file such workplan or LRIC study and the expected filing date. The DCTU's notice shall indicate that the filing is being made pursuant to this section. The commission shall then publish notice of the DCTU's intent to file the workplan or LRIC study in the Texas Register.
- (p) **Pricing rule.** Within 180 days of September 10, 1993, the commission shall initiate a rulemaking proceeding to develop a pricing methodology for DCTU services that is consistent with the cost information obtained under this section.